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BUSINESS RISING ON VIENNA BOARD

But Volume Isn't Expected to Be Heavy Until Prices Undergo Adjustment

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VIENNA, Sept. 8 — After months of near stagnation, business on the Vienna Stock Exchange shows signs of a revival. But volume is not likely to become heavy again until market quotations become adjusted to economic realities.

Although public finances in Austria are sound, the balance of payments is squared and the cost of living steady, bonds still show far higher yields than stocks. While new bond issues offer a minimum yield of 7 per cent, Austrian stocks of blue-chip grade seldom return as much as 3 per cent on newly invested capital and often return less than 2 per cent.

As a result, demand for shares is at a minimum. This situation is easily explained. New balance sheets showing values in schillings that formerly were in reichsmarks have been issued. Consequently, the real value of assets in today's money is now known. Many companies have raised their dividends but not enough to bring the yield on shares up to that on bonds.

Knowing that the real capital value behind common stocks is far above the nominal value, holders are not eager to sell at present prices. They believe that when the market straightens out, the relation between stock and bond prices will return to normal..

Causes Are Listed

This readjustment is being delayed by these three main causes:

1. Until the end of 1958, industrial companies are allowed by taxation authorities to write off up to 60 per cent of the value of a newly acquired plant in one year, over and above the usual depreciation cut. The object of this measure is to stimulate modernization of production. As a result, the major part of profits is being spent on new machinery.
2. Until the necessary legislation is enacted, double taxation of profits leaves the investor a net yield far below that on bonds. Abolition of the double taxation of company earnings is opposed by Socialists pending a settlement by compromise. While the present arrangements continue, industrialists find that capital raised by issuing new shares is far more costly than that obtainable by issuing bonds.
3. Many investors are holding off because many new issues of "peoples shares" are in prospect. As the first issue of "peoples shares" by the state-owned commercial bank was a huge bargain, the feeling is that new issues are worth waiting for.

"Peoples shares" issued by the Creditanstalt Bankverein at 115, carrying a guaranteed minimum 6 per cent dividend, now stand at 162 after having paid a dividend of 7 per cent for 1956. Even at this price the yield is about 4 per cent.

While this incongruity in values persists, the market is favorable for new issues of public bonds. As demand for investment capital in Austria far exceeds the supply, competent authorities want "to make hay while the sun shines."